

September 21, 2009

The Honorable Steven Chu
Secretary, Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Chu,

Several weeks ago, XP Vehicles received a letter simply stating that our loan application under the Advanced Technology Vehicles Manufacturing (ATVM) Program had been rejected. No reasons were given in the letter and only after several attempts at phoning the ATVM office were we able to receive the reasons orally (we still have not received the reasons in writing). We would understand a rejection if the reasons given were applicable to our loan application. However, they were not and many did not even reflect what was included in our submission.

After several more attempts at receiving more clarification from the ATVM office, no one has been in further contact with us. We are still requesting additional information about our loan application and more applicable reasons. Because our efforts have been ineffective, we are asking for your help. We have not even been able to find out whether there will be another round of loans granted and how we can alter our loan application to increase our chances of success.

Our car goes an almost unlimited range via hot-swap cartridges, costs less than \$20,000, uses no gasoline, is easy to repair and build, saves your life better than any other car, is faster than competing solutions, does not require an extension cord, uses electricity and creates green jobs. We need the DOE loan application to conduct further testing, as well as start building a prototype of the vehicle. We already have thousands of customers lined up who want to buy our unique and very "green" car. Our company currently has no debt and our company leaders have been contributing their time and resources for many years based on positive feedback received repeatedly by DOE loan reviewers and staff.

As stated above, we would understand a rejection of this loan application if legitimate reasons were given, but they were not. One of the reasons given was that our car does not use E85. No, this car uses NO gasoline which we thought is a goal our country should want to attain. Another reason was that we were not making millions of cars. Our marketing plan did not support that nor did the funding levels we requested. DOE also stated that XP was not planning to sell cars to the government which is 100% false and clearly stated in our application that the core sales plan of the company is based on government fleet sales. We cannot help but wonder if DOE even read the application. Finally, and another example of a failure to read the application, was that DOE asserted our factory cost estimates were too low because the metal body fabrication systems were not calculated high enough. XP Vehicles use no metal fabrication in its bodies.

We submitted the following questions to the DOE ATVM staff the day after we received the rejection and have still not received any response:

1. DOE reviewers never even talked to the founder, inventor, engineers, project leads or primary contractors. We even were told over and over again that everything in our application was good and that no additional information was needed. This is despite the fact that the reasons given for our rejection did not reflect the technology being used and therefore the ATVM reviewers did not understand our concept and product. Why was no one at XP Vehicles contacted?
2. After nearly a year of waiting, accompanied by writing, verbal and in-person proclamations that “everything was fine”, “everything is on-track”, “you appear to meet every criteria”, etc. and after staff expended the majority of their personal funds based on these positive assertions, the application was suddenly and mysteriously rejected. Why was staff at DOE during the course of the year, positive about the outcome and never asked for additional information?
3. At the start of the application process XP was told that the review would be very interactive but there was almost no interaction with us while larger players, who applied later, were reviewed earlier, had extensive interaction and have already been awarded their funds. Why was the interactivity process never used with us?
4. Rejection comments supplied by Chris Foster of DOE and third party press seem to be unrelated to the business of the company and have no foundation in fact. Why is that?
5. One of the main reasons they gave us for the rejection was the fact that our vehicles do not use E85 gasoline. If that was true, why did Tesla & Nissan get approved funding? Their vehicles also do not use E85.
6. While it is true that we do not wish to use carcinogenic gasoline, (Here in California we have a sticker on every gas pump that warns that filling your tank is likely to expose you to cancer), at no point was E85 gasoline ever mentioned, discussed, commented on or requested. In fact the topic was particularly avoided by DOE staff. Why not?
7. Another rejection point was that we were not planning to make enough cars. This is false. The company would like to build and sell more cars than any other car company. We are fully willing to produce millions of vehicles if provided with the appropriate funding as it has quantified millions of fleet buyers for its vehicles. No DOE entity ever asked us to adjust, discuss or amend our numbers and we were more than willing to adjust those numbers if anyone had even bothered to ask. One must start out with small steps and were planned to ramp up to a massive number over time. To suggest that one do otherwise would demonstrate questionable judgment. What is the validity of this comment by the reviewers based on?
8. We provided \$100 million+ of asset collateral opportunity for only a \$40M loan. To repeat, we provided over TWICE the collateral of the value of the loan. How is this not as secure of a structure as any of the other applicants?

9. We were told that we were rejected because we were not planning to sell cars to the government. **This is 100% false.** The core sales plan of the company is based on government and commercial fleet sales. Why did your reviewers say this? Why did you think this?
10. Additionally we were told that electric motors and batteries were considered by the reviewers to be too futuristic of a technology and not developed for commercial use even though they have been in use in over 40 industries for over 20 years, including by NASA. What is the rationale for this argument?
11. Almost every other part of the XP car was to be purchased from existing commercial sources with multiple points of supply, so it is not possible to see how a reviewer might think the vehicle had any significant technical acquisition hurdles. Why does DOE assume that the following companies with whom we would be contracting could not perform the following responsibilities:
 - a. Deloitte & Touche to provide auditing and reporting of financial data.
 - b. Autodesk or Microsoft to deliver the process and design software.
 - c. NEC, Intel or the other leading electronics companies in the world to build our controllers.
 - d. Roush Automotive, one of the most successful automobile electronics groups in the world, to build the electronic module.
 - e. US National Lab system to solder a box together.
 - f. Over 100 other major supplier companies that have been building parts for the auto, aerospace and industry for decades to deliver the component parts for our vehicles.
12. The primary purpose of this loan program, XP was told by its authors, was to develop advanced technology and further reduce our dependence on gasoline. The XP Vehicles car uses no gasoline and gets over 125 miles per battery charge. How is this not a direct conflict with the precepts of the Section 136 law?
13. XP was also told that its factory cost was too low because the metal body fabrication systems were not calculated high enough but the reviewers apparently did not even pay attention to the fact that XP uses no metal fabrication in its body. What was the rationale in making such an erroneous comment?
14. Reviewers also stated that the car was a "hydrogen car" which it is not. It is an electric car. Why did they say that?
15. In what ways were the following documents actually reviewed? Your office stated that they "lost our documents" twice. Why?

Documents XP vehicles submitted to DOE:

- Detailed financials that cost the company almost \$200,000.00 to prepare;
- Metrics that demonstrated that the XP car can save millions of lives per year and that it was safer than any vehicle;
- Metrics that demonstrate that a gasoline/hybrid vehicle is dangerously carcinogenic when filled at a gas station compared to an XP Vehicle;
- Engineering and IP metrics that beat every competitor on price, range, safety, TOC, efficiency, toxic safety and hundreds of other points;
- Examples of work from \$3M of cash and person-hours previously invested by founders, DOE & partners;
- Lists of top auto and aerospace corporate partners, staff and resources, on stand-by, equaling thousands of people in all groups combined;
- Validation of a deep team of core staff that have been developing the project and parts of the project for 3-15 years part time;
- Samples of extensive international positive press coverage;
- Proof of a market opening timed with tax and national imperative incentives that created a dramatic window for success;
- Proof that XP was the lowest overhead car company in the market which equates to the best chance to profit and return funds;
- Samples of an in-house created online process management architecture; market and marketing studies;
- CAD designs, engineering plans and manufacturing plans;
- A detailed website;
- A detailed path to \$1.5B within 5 years or less from a less than \$100M investment;
- Examples of dozens of prototypes as seen in the photographs on the BUILDS page of our website;
- Numerous patents;
- Large pending portfolio with third party valuation and validation reports valuing IP at over \$100M;
- People: Senior Scientists, Chemists & Engineers from Top University & Federal Labs, including staff that has built and delivered millions of vehicles to the consumer market;
- Partners: Federal, University, Fortune 500, Private Research Organizations;
- Written Customer inquiries from a massive national customer base of qualified retail leads and 1.2M of commercial unit opportunities equaling a \$1.5B+ opportunity. Also submitted an extensive package of letters from each customer candidate;
- Contracts: Federal Contract fully executed and MOU's executed;
- Awards/Commendations: Congress, DARPA;
- Research Data: Over 200+ technical research documents & 15+ years of research;
- Know How: Over 22,000+ man hours of development;
- Market data;
- Over 100+ documents of industry study;
- Issued trademarks;
- Facilities;
- Unique access to Federal Labs & leased facility options;
- and other supporting materials.

Mr. Secretary, we certainly are not claiming that our vehicles will solve all of our energy problems. However with each car that we sell, we will help reduce our reliance on imported fuel by putting a vehicle on the road that uses absolutely no gasoline. But we cannot do this without some financial assistance from DOE. We truly are using "advanced technology" in our approach and only ask for DOE's support in moving our process forward. In addition, with a company that has no current debt, several patents, and thousands of interested customers, I would assert that your department's financial risk in investing in our technology would be extremely low.

Although I know you are extremely busy, I would ask for the opportunity to talk with you in person to discuss our technology and how it can help our country. I believe there was some confusion about our application and vehicle technology that I would very much like to clear up with you in person. We are free to discuss this at your earliest convenience and ask that you please consider this request.